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# CENTRAL INTELLIGENCE BULLETIN

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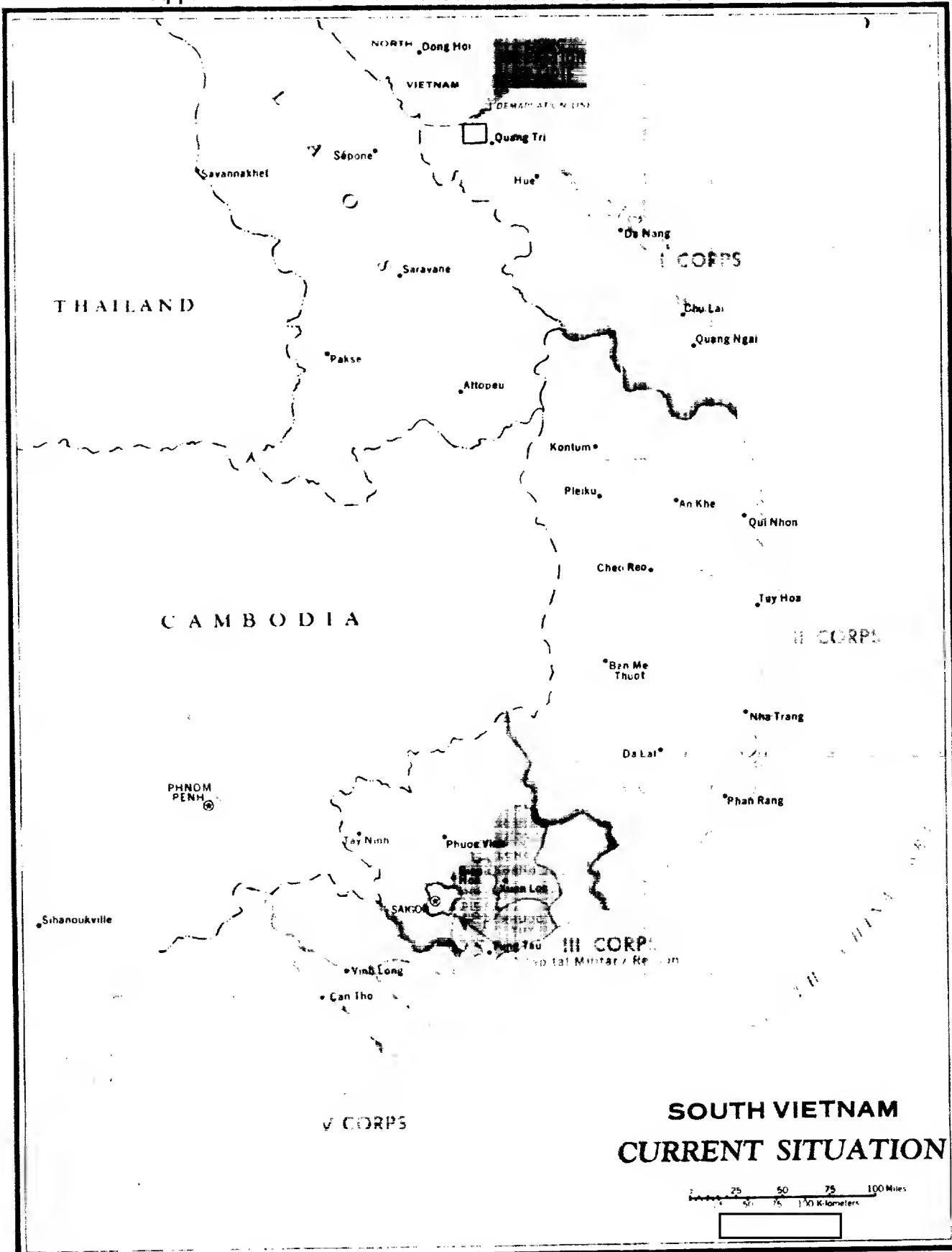
10 August 1966

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10 August 1966

### \*Vietnam: (Information as of 4:30 AM EDT)

Military Situation in South Vietnam: There have been no reports of major ground activity in South Vietnam during the past 24 hours.

The latest significant fighting occurred on 8 August when a reconnaissance patrol of US Marines was attacked by an estimated company-sized enemy unit. The patrol, part of the US Marine search-and-destroy Operation PRAIRIE under way in Quang Tri Province since 3 August, suffered five killed and 31 wounded. Known Communist losses were 37 killed. The patrol was supported by tactical air strikes and artillery until reinforcements could be helilifted into the area. (See Map)

Some Viet Cong main force units may be facing manpower problems

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Political Developments in South Vietnam: The Saigon government has responded to Buddhist Institute demands for clarification of its position toward supporters of the recent "struggle" movement.

(continued)

The government reply to a letter of 30 July from the Buddhist Institute was, from Saigon press accounts, mild in tone but it did not hold forth promise of any concessions to the Buddhist demands. The government maintained that it was not against "struggle" movements per se, but only those which resort to illegal methods.

Concerning Buddhists currently detained, the government stated that only those deemed to have violated the law would be held for trial, but gave no indication of when such a determination would be made. Press censorship of Buddhist communiques, according to the reply, occurs only when items are anonymously printed or submitted for press publication.

A 6 August Buddhist Institute letter to the United Nations has complained of official persecution and solicited UN assistance to preserve the Vietnamese nation, the Buddhist religion, and the life of Thich Tri Quang. The letter charges that US support for the Saigon government is responsible for a large measure of the country's problems and that the US must bear the responsibility for its activities.

According to the US Embassy, this latest Buddhist letter has caused no undue stir in local political circles, and may reflect probing efforts to determine the extent to which the government is prepared to tolerate Buddhist opposition. [redacted]

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Communist China: Peking is trying to curb the excesses of its cultural revolution.

To ease the atmosphere of fear and confusion caused by this campaign in recent months, the party central committee on 8 August directed party officials in charge to moderate their approach in dealing with students and other intellectuals, who have borne the brunt of the drive so far. It declared that students should not be treated "severely," and that attacks on prominent intellectuals must first be approved by the appropriate party authorities. The central committee specified that scientists and technicians, particularly those who have made and can make contributions to the state, should receive special protection from political harassment.

According to the central committee pronouncement, the "cultural revolution" will continue, but under tighter party control. The exposure and dismissal of errant party leaders will continue to be a major aim of the campaign, according to the pronouncement, because there are still a number of officials in powerful positions who have "taken the capitalist road" and who must be brought down. No hint was given as to their identity.

It remains to be seen, however, just how faithfully these new guidelines will be implemented in view of the continuing strident pronouncements on domestic affairs in the past week or so. [redacted]

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West Germany: [Chancellor Erhard's political difficulties may be aggravated by forthcoming budgetary problems.]

[According to the Chancellor's chief aide, there is a potential gap of \$850 million in the 1967 budget, and this will be substantially increased if, as he believes likely, the West German states decline to renew the present formula for allocation of tax receipts. In that event Erhard would have to decide whether to squeeze the budget or ask for a politically unpalatable tax increase.]

[The aide saw the Defense Ministry as an obvious target for economies, but recognized that substantial cuts in defense allocations would be directly counter to US and UK demands for increased military offset payments.]

[Although a budgetary crisis is an annual event in Bonn, the political effect this year is sharpened by the defeat Erhard suffered in the North Rhine Westphalia election last month.]

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NOTES

USSR-Algeria: The USSR has taken steps to assuage growing Algerian dissatisfaction with the Soviet economic aid program. During the recent visit of Algeria's minister of industry and energy, Moscow apparently acceded to Algerian desires for an eventual expansion of annual capacity of the steel complex at Annaba (Bone) from 400,000 to about one million metric tons of finished rolled products. Moscow also agreed to advance the construction schedule by two years with completion set for 1969. In order to guarantee the viability of Soviet-aided industrial projects, Moscow reportedly agreed to buy significant portions of the output.

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USSR: The third Soviet-controlled bank in Western Europe is expected to open soon in Zurich. It will be staffed by Swiss employees with Soviet nationals as chairman and manager. It will facilitate East-West trade, assist in the marketing of Soviet gold, and collect commercial intelligence. Although Soviet banking needs have been serviced by relations between Western financial institutions and the Soviet banks in Paris and London--whose assets are estimated to exceed \$1.5 billion--Moscow is considering the establishment of more banking organizations in the free world.

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Iraq: The cabinet formed yesterday by Iraq's new Prime Minister Naji Talib appears designed to antagonize as few of the country's many contending power groups as possible. It has only a moderately pro-Nasir tinge. It includes a few "tame" Kurds, but this gesture may be insufficient to convince Iraq's Kurdish insurgents of the government's good faith. The defense and foreign affairs ministers are holdovers from the Bazzaz government, and the rest are relative unknowns with little political experience.

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The Under Secretary of the Treasury

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The Deputy Secretary of Defense

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The Secretary of the Navy

The Secretary of the Air Force

The Assistant Secretary of Defense (International Security Affairs)

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U. S. Rep., Military Committee and Standing Group, NATO

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Commander in Chief, Pacific

Commander in Chief, Atlantic

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The Director of Naval Intelligence, Department of Navy

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The Federal Bureau of Investigation

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